

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-07 IO-13 ISO-00 L-03 FRB-03 OMB-01

ITC-01 SP-02 USIA-06 AGR-05 AID-05 CIAE-00 COME-00

INR-07 LAB-04 NSAE-00 OIC-02 SIL-01 STR-04 TRSE-00

CIEP-01 CEA-01 JUSE-00 FMC-01 DODE-00 DOTE-00 SAL-01

CG-00 DLOS-06 OES-06 /100 W
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R 240556Z SEP 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5823

INFO USMISSION GENEVA

USMISSION OECD PARIS

USMISSION EC BRUSSELS

AMEMBASSY TOKYO

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E.O. 11652:N/A

TAGS: EWWT, UNCTAD, UK

SUBJ: US-UK BILATERAL SHIPPING TALKS

REF: STATE 194669

1. SUMMARY: UK DEPT OF TRADE OFFICIALS, AS WELL AS
DIRECTOR OF GENERAL COUNCIL OF BRITISH SHIPPING (GCBS)
SHOWING STRONG INTEREST IN EARLY SCHEDULING OF SUBJECT
DISCUSSIONS. THEIR INTERESTS IN ORDER OF PRIORITY SEEM
TO BE US DEPT OF JUSTICE ANTI-TRUST INVESTIGATIONS INTO
ATLANTIC SHIPPING CONFERENCE AND ASSOCIATED GRAND JURY
HEARINGS, US REACTIONS TO GCBS PROPOSALS RE UNCTAD CODE
OF CONDUCT FOR LINER CONFERENCES (CCLC) AND US IDEAS ON
REVISION OR HANDLING OF CCLC, AND EASTERN BLOC COUNTRY
SHIPPING COMPETITION AND THE MEMORANDUM AGREEMENT BETWEEN
THE FEDERAL MARITIME COMMISSION (FMC) AND THE SOVIET
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MINISTRY OF MERCHANT MARINE. END SUMMARY

1. DISCUSSIONS WITH DEPARTMENT OF TRADE OFFICIALS, INCLUDING LANCHIN, AND WITH FARTHING OF GCBS INDICATE CONSIDERABLE UNEASINESS ON PART OF UK GOVERNMENT AND SHIPOWNERS OVER JUSTICE DEPARTMENT'S INVESTIGATIONS INTO SHIPPING CONFERENCES AND USE OF GRAND JURY PROCESS. THEY ARE SUSPICIOUS OF THE MOTIVATIONS BEHIND THE INVESTIGATIONS AND DISTRESSED AT THE TIME, ENERGY AND LEGAL COSTS UK SHIPOWNERS WILL BE FORCED TO EXPEND. THEY TEND TO BELIEVE THAT JUSTICE IS PURSUING IN A STIFF-NECKED WAY ITS ANTI-TRUST RELIGION, BUT THEY ARE NOT CERTAIN AND CANNOT UNDERSTAND WHY IF AN INVESTIGATION HAD TO BE CARRIED OUT, IT WAS NOT DONE UNDER THE DIRECTION OF THE FMC. SHIPOWNERS ARE APPARENTLY NERVOUS, FEARFUL OF INVOLVEMENT WITH THE ANTI-TRUST DIVISION OF JUSTICE AND CONCERNED THAT THE US AND THE UK MAY RE-ENTER THE CONFRONTATION ATMOSPHERE OF THE EARLY 1960S. NEWSPAPER COVERAGE HAS BEEN SUPERFICIAL AND HAS RAISED MORE QUESTIONS THAN IT HAS SETTLED. EMBASSY WOULD APPRECIATE BACKGROUND ON JUSTICE DEPARTMENT INVESTIGATIONS AND GUIDANCE.

2. AS DEPARTMENT IS AWARE, GCBS HAS PROPOSED THAT OECD COUNTRIES ACCEPT THE UNCTAD LINER CODE WHICH PROVIDES FOR A 40-40-20 SPLIT OF BILATERAL CARGOES WITH SHIPPING AND RECEIVING COUNTRY EACH HAVING 40 PERCENT AND THIRD COUNTRY LINES ALLOWED TO COMPETE FOR THE REMAINING 20 PERCENT. UNDER THE GCBS PROPOSAL, HOWEVER, DEVELOPING COUNTRIES WOULD EACH BE ACCORDED THEIR 40 PERCENT SHARE, BUT OECD COUNTRIES WOULD NOT CLAIM THEIR ALLOTTED SHARES UNDER THE CODE EITHER WITH RESPECT TO THEIR SHIPMENTS AMONG ONE ANOTHER OR WITH DEVELOPING COUNTRIES.

3. UK GOVERNMENT HAS CIRCULATED GCBS PROPOSAL TO A SMALL NUMBER OF GOVERNMENTS, INCLUDING THE US, FOR COMMENTS BEFORE DECIDING WHETHER TO ADOPT THE PROPOSAL AS ITS OWN. THE UNDERSTANDING WHEREBY THE EC WILL NOT PURSUE A COURT CASE AGAINST THE EC MEMBER COUNTRIES

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WHICH SIGNED THE CODE AND THE COUNTRIES WILL NOT PROCEED TO RATIFY UNTIL AFTER THE 1979 REVIEW OF THE LINER CODE HAS REMOVED THE URGENCY WHICH THE UK HAD EARLIER FELT WAS NEEDED IN DEALING WITH THE CCLC ISSUE. HOWEVER, THE UK STILL FEELS A POLITICAL DISCUSSION OF SHIPPING POLICY RE THE CCLC IS NEEDED AND WANTS TO FIND A WAY FOR DEVELOPED COUNTRIES TO TAKE A POSITIVE POSITION WITH RESPECT TO DEVELOPING COUNTRY GOALS IN SHIPPING. UK HAS MADE THESE POINTS IN BILATERALS OR SUBMISSIONS TO FRANCE, FRG, NETHERLANDS, NORWAY, SWEDEN, DENMARK, AND GREECE AS WELL AS TO THE US. CLINTON-DAVIES WILL BE TAKING IT UP WITH THE INDIANS DURING HIS VISIT THERE THIS MONTH. UK HOPES TO RECEIVE US COMMENTS DURING THE FORTHCOMING BILATERAL TALKS. FINALLY, UK WILL DISCUSS MATTER WITH JAPANESE WHEN GOTO OF JAPAN COMES TO LONDON FOR TALKS IN

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NOVEMBER. IF UK JUDGEMENT ON THE PROPOSAL IS POSITIVE THEY WILL THEN TAKE IT TO THE EC AND THE OECD.

4. UK DEPARTMENT OF TRADE OFFICIAL (BANNARD) INDICATED THAT DESPITE SOME POSITIVE REACTIONS (SWEDEN) A NUMBER OF OMENS WERE VERY MUCH AGAINST PROPOSAL. HOWEVER, IT HAD ALREADY UNDERGONE SOME CHANGES AND COULD UNDERGO OTHERS AND IT WAS THE ONLY CONCRETE PROPOSAL ON THE INTERNATIONAL SCENE AT THE MOMENT. HE WAS INTERESTED IN KNOWING WHAT THE US WOULD SUGGEST IN ITS PLACE.

5. BOTH UK GOVERNMENT AND GCBS APPEAR TO HAVE ADOPTED A "WAIT AND SEE" POSITION REGARDING FMC AGREEMENT WITH SOVIETS. THEY ARE INTERESTED IN EXPLORING RAMIFICATIONS OF EASTERN BLOC COMPETITION, BUT DO NOT APPEAR TO PLACE SAME PRIORITY ON TAKING ACTION AS SEEMED TO BE THE CASE EARLIER.

6. DEPARTMENT OF TRADE CLEARLY DESIRES TO SCHEDULE BILATERALS WITH US AS SOON AS POSSIBLE. MOREOVER, GCBS DIRECTOR BRUCE FARTHING HAS SAID HE WOULD APPRECIATE OPPORTUNITY TO MEET DEPUTY ASSISTANT SECRETARY BILLER WHEN HE IS IN LONDON FOR BILATERAL SHIPPING TALKS.

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